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DEPT FOR USITC - LSCHLITT

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SUBJECT: USITC STUDY ON EXPORT OPPORTUNITIES AND BARRIERS IN AGOA

REF: STATE 08545

¶1. Summary: This cable responds to reftel request for additional information on major economic sectors with export potential and major barriers to trade growth in AGOA-eligible countries. The DRC has significant natural resources and an ample employment base. As the DRC continues its transition from war to a peacetime society, some reform efforts are being made - with the assistance of international financial institutions - to increase transparency, reduce corruption build dilapidated infrastructure. Nevertheless, the "de facto" situation is still defined by opaque regulations and unreliable public services and infrastructure. The following responses are keyed to reftel. End summary.

¶2. A. In the last five years, the DRC has gone from a wartime to a (mostly) peacetime economy. Despite strong economic growth for the last three years (averaging 6 percent), the virtually destroyed infrastructure, both physical and financial, graphically underscores how much remains to be done. The DRC is adhering to an IMF regime and is trying to improve its conformance with the Kimberley Process.

Together with the World Bank, the GDRC has undertaken a number of reforms to improve the investment climate and promote exports. The 2002 Investment Code simplifies procedures for establishing a business and provides investment assistance to foreign investors through the National Agency for Investment Promotion (ANAPI). The Investment Code attempts to ensure advantageous conditions and equal treatment to both foreign and local investors. It also offers several "de jure" incentives for investment, including customs duties exonerations for capital equipment and necessary spare parts, exemption from export taxes on manufactured products, and a one time exemption from taxes on profits, socioeconomic and infrastructure investments, real estate and land concessions. Small and medium enterprises can also claim a tax deduction for expenses related to employee training programs. The GDRC also qualified for a HIPC debt relief program, reaching a decision point in 2003 with a target completion point in 2006.

Investment Code incentives and guarantees are reinforced through industry-specific codes including the mining code, the forestry code, the labor code, and certain laws that govern telecommunications. The International Monetary Fund (IMF) and World Bank programs to reform regulatory practices, such as in the banking system and tax services, support the investment codes. Although these codes aim to provide some incentives to investment, the effect is frequently offset by corrupt officials who demand bribes.

¶3. DRC production base by sector and industry (by percent):

Agriculture (Cattle, fish, timber):	42
Industry:	25
- Mining and Metallurgy	13
- Construction	7
- Manufacture	4.4
- Electricity and Water	0.8
Services:	31
- Distribution and Retailing	18
- Hotels and restaurants	6
- Transportation and Storage	5
- Public Services	2
- Taxes and Customs	2

Source: Congolese Central Bank

¶4. The DRC is a member of the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), and the Economic Community of Central African States--"Communaute Economique des Etats de l'Afrique Centrale" (CEEAC).

Although a member of these organizations, the DRC does not fulfill all of the organizations'. For example, the country has never met the free trade zone commitment requested for COMESA countries. COMESA called on all member countries to reduce customs duties incrementally reaching zero, but the DRC has not begun to reduce its customs duties.

The DRC has a program with the IMF, which has a Poverty Reduction and Growth Facility to aid the DRC economic program. The IMF is working with tax and customs agencies to improve their standards, increase income and reduce corruption, and it also working with the Congolese Central Bank to modernize the banking system. The World Bank is working with the GDRC to implement a Poverty Reduction Strategy Paper and rebuild infrastructure through its Emergency Multisectoral Reconstruction and Rehabilitation Program.

1D. The GDRC does not have programs targeting the development of specific sectors for export. Business incentive programs are ostensibly managed by ANAPI, but are very general in nature and apply to all investments.

1E. Some Congolese small- and medium-sized enterprises are formally part of local chambers of commerce and other business organizations to promote Congolese exports. These businesses are interested in taking advantage AGOA, but in spite of Post's efforts to educate both private sector businessmen and GDRC officials involved in import-export, knowledge of AGOA is still limited. Small businesses and NGOs export handicrafts and artisanally produced items (such as toys, works of arts, textiles, shoes, handbags, belts,) and food products (such as salted fish, peppers, and vegetables) in small quantities and sell them to specific targeted groups. Post has received trade inquiries from businesses that would like to export decorative wood products and animal skins. Expansion of the export of these items and their incorporation into formal trade practices provides potential export opportunities.

The DRC's traditional exports are lumber, diamonds, sugar, cement and copper. As the investment climate improves and infrastructure repairs are made, the DRC's wealth of natural resources will become extremely attractive to exporters. The main metal and mineral resources are diamonds, copper, cobalt, coltan, gold, cassiterite, wolframite, zinc, nickel and germanium.

1F. During the past 5 years, investments in the DRC have targeted local market consumption as well as export markets, excluding the mining sector:

Company:	Product:	Investment:
Congotex Sprl	Textiles	
\$39,829,000		
Sosider Steel Makers	Steel Manufacturing	
\$36,321,065		
Socibex	Forestry	
\$7,081,500		
Socope	Maritime fishery	
\$6,497,717		
Fretin Sprl	Syringes	
\$5,341,089		
Cinat	Cement	
\$4,391,315		
Dimon Congo	Tobacco agriculture	
\$3,918,897		
Mbunzama Agency Service	Forestry	
\$3,806,914		
O.K. Plast Sprl	Reinforced steel	
bars	\$2,796,499	
Sicobois	Forestry	
\$2,471,829		
Bakribois Corporation	Forestry	
\$1,497,899		
Groupe Agro Alimentaire	Agri-business	
\$970,847		
Africa Welfare Sprl	Food processing factory	
\$791,754		
Societe Int'l de Distribution	Agricultural products	
processing	\$375,000	
Ets Savonnerie	Soaps Manufacturing	
\$191,231		
Ets Matchem	Foam rubber mattresses	
\$187,459		

Source: Federation des Entreprises du Congo (FEC).

1G. The GDRC does not currently have plans to create "export processing zones."

I. The primary barriers to increased export sales include poor infrastructure, corruption, a very small formal sector, and a general lack of information and transparency. Bad road, rail and river conditions and lack of transportation and storage facilities hinder the movement of agricultural and forestry products from the interior of the DRC to the major ports of entry/exit. Water and electricity infrastructure is unreliable in major cities and non-existent in the interior. Corruption at regulatory and tax agencies - including customs - creates delays in obtaining documents, licenses and customs clearance. The judicial system is neither transparent nor impartial. The large informal market and a lack of transparency reduce information available to potential investors and exporters. There is also a lack of access to capital due both to weak respect for property rights, and to high interest rates on the domestic capital market.

II. The following organizations in the public and private sectors work to encourage export and investment:

Ministry of Industry
Contact: Mr. Jean Mbuyu, Minister
E-mail: cabminipme@yahoo.fr

Agence Nationale pour la Promotion des Investissements (ANAPI)
Contact: Mr. Matthias Bwabwa, General Director
E-mail: anapirdc@yahoo.fr
Web site: www.anapi.org

Federation des Entreprises du Congo (FEC)
Contact: Jean Bamanisa, Administrator
E-mail: feccongo@hotmail.com
Web site: www.fec.cd

Federation des Ong Laiques a vocation Economique du Congo (FOLECO)
Contact: Andre Tshula, Secretary Executive
E-mail: foledo@raga.net

Reseau des Femmes d'Affaires COMESA/SADC
Contact: Liliane Okende, Coordinator
E-mail: femcomsa@yahoo.fr

Confederation des Petites et Moyennes Entreprises Congolaises (COPEMECO)
Contact: Georges Bukasa, President
E-mail: copemeco@raga.net; copemeco@ic.cd

Chambre de Commerce de Femmes
Contact: Marie-Antoinette Mbombo
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13. To further assist in research efforts, please contact the following persons:

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